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January 4, 2013

Arkansas Development Finance Authority
900 West Capitol Avenue, Suite 310
P.O. Box 8023
Little Rock, Arkansas 72203-8023

Re: U.S. Department of Housing and Urban Development
Mortgagee Letter 2012-24
Secondary Financing Eligibility
IRC Section 115 Status

Ladies and Gentlemen:

We are General Counsel to the Arkansas Development Finance Authority (the "Agency"). In that capacity we routinely address matters regarding the tax status of the Agency, and have been asked to address the Section 115 provisions of the above-referenced Mortgagee Letter issued by the Department of Housing and Urban Development ("HUD") on November 21, 2012 (the "Mortgagee Letter") with respect to the Agency.

Pursuant to the terms of the Mortgagee Letter, HUD has determined that entities qualifying under Section 115 of the Internal Revenue Code of 1986, as amended (the "Code"), should be treated as instrumentalities of government for purposes of HUD's single family secondary financing program.

Section 115(1) of the Code provides, in part, that income derived from the exercise of any essential governmental function and accruing to a State or any political subdivision thereof, or of the District of Columbia, shall not be included in gross income for federal income tax purposes. Section 115(2) of the Code provides that income inuring to the government of any possession of the United States, or any political subdivision thereof, shall not be included in gross income for federal income tax purposes. Section 115 has been the subject of interpretation in Internal Revenue Service rulings and regulations.

Based upon the enabling legislation of the Agency, the Agency's organizational documents, and its operations, we advise you that the income of the Agency is excluded from federal income taxation pursuant to the provisions of Section 115 of the Code and the rulings and regulations thereunder.

Very truly yours,

Kutak Rock LLP
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